



**CITIZEN'S GUIDE TO THE CITY'S FINANCES
CITY OF GRAND RAPIDS, MICHIGAN
YEAR ENDED JUNE 30, 2016**



300 Monroe Avenue, NW/Grand Rapids, Michigan 49503/www.grcity.us/616.456.3000

Introduction

- Governments are relied upon to provide many essential services to their constituents. This requires a careful balance between providing the proper amount of service, while still living within the financial constraints of available resources.
- Transparency in government is critical to achieve the above objective. The detailed annual financial reporting, in the form of a Fiscal Plan (budget) and a Comprehensive Annual Financial Report (CAFR), while providing the required information to meet Governmental Accounting Standards, may not always be very understandable to the average user.
- To ensure the citizens of Grand Rapids are fully informed about their government operations, the City is pleased to provide this annual Citizens' Guide and Popular Annual Financial Report (PAFR). The numbers presented in the PAFR vary slightly from the CAFR, in that they are pulled from the Annual Local Unit Fiscal Report (F-65) required by the State of Michigan. The F-65 report is submitted by each governmental agency in Michigan to provide a uniform reporting structure. The F-65 reports for all cities, villages, counties and townships in Michigan can be see here <https://f65.mitreasury.msu.edu/>
- We hope the users of this report find it helpful and the City welcomes feedback on the presentation format and content.

What's Inside

- General Fund
- Other Governmental Funds
- Enterprise Funds
- City Debt
- City Obligations
- City Leadership



Sara VanderWerff
City Comptroller



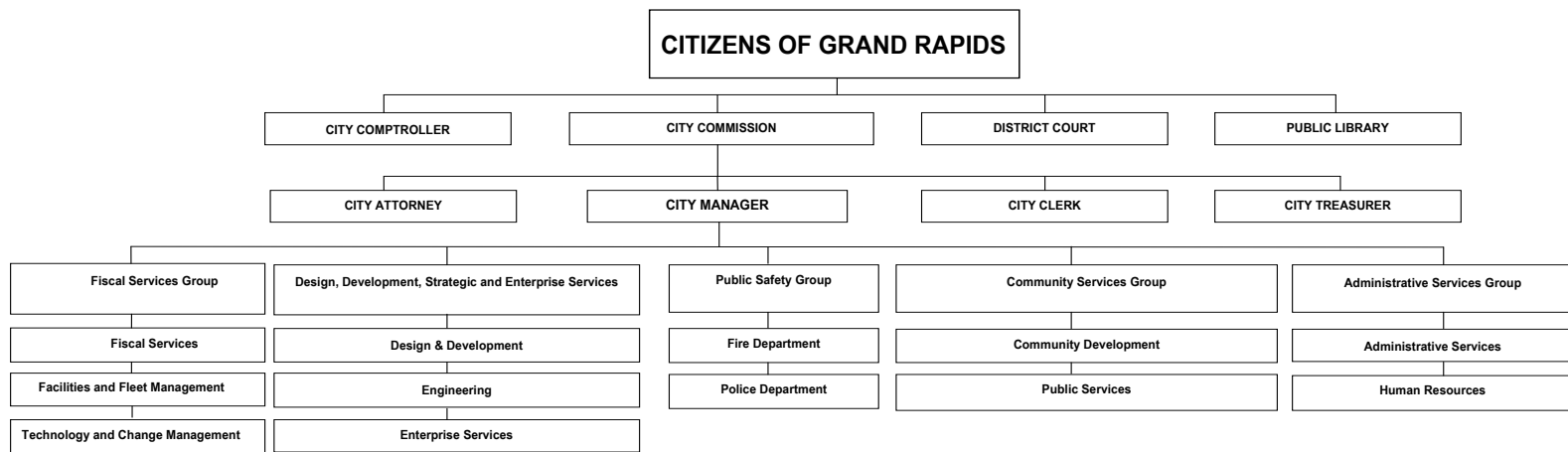
Scott Buhrer
Chief Financial Officer

2016 QUICK FACTS

- Form of Government: Commission – Manager
- 2016 Population: 195,099
- Land Area: 44.4 square miles
- Unemployment rate: 2.9%
- Bachelor's degree or higher: 31.6%
- Median Household Income: \$40,355
- City Budget: \$422.1 million
- City Property Tax Mills: 9.1515
- Revenue from all taxes: \$127.15 million
- Revenue from all charges for services: \$147.28 million
- General Fund expenditures: \$111.76 million
- General Fund subsidies to other funds: \$16.8 million
- Police & Fire expenditures: \$74.8 million
- Bonded debt: \$522.4 million
- Unfunded liabilities: \$285.5 million

The City's Mission

The City of Grand Rapids believes in the dignity and worth of all people and in the right of every citizen to have equitable access to the benefits of urban life. We believe in the rights of all citizens to express their views and the responsibility of the City government to respond to those views. As government representatives, we will help shape the future to assure that the City will continue to be a place where the benefits of urban life can be enjoyed.



Organizational Structure

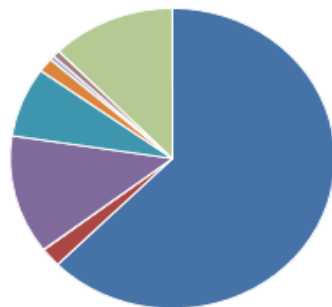
City Financials / General Fund

The general fund keeps track of revenues and expenditures for general government services, such as police and fire, human resources, finance, and other city management departments. As a result of the financial crisis of 2007, the City initiated an aggressive transformational plan to reduce operating expenditures and increase revenues to balance the budget. General fund revenues are up to \$120.5 million from a low of \$98.98 million in FY2012 and operating expenditures, although up from a low of \$98.1 million in FY2011, remain below a high of \$115.6 million in FY2008. The graphs depict general fund operational summaries as well as a historical look at fund balance.

Revenues	2015	2016	% Change
Taxes	\$80,538,717	\$85,985,531	6.76%
Licenses & Permits	\$551,214	\$2,839,981	415.22%
From Federal Govt.	\$153,075	\$38,105	-75.11%
From State Govt.	\$14,886,815	\$17,600,927	18.23%
Local Contributions	\$70,680	\$0	-100.00%
Charges For Services	\$12,152,291	\$10,329,543	-15.00%
Fines And Forfeitures	\$2,072,303	\$2,115,302	2.07%
Interest & Rent	\$488,609	\$633,743	29.70%
Other Revenues	\$881,737	\$994,871	12.83%
Total Revenues	\$111,795,441	\$120,538,003	7.82%
Other Financing Sources	\$13,100,321	\$16,971,645	29.55%

Where Our Money Comes From

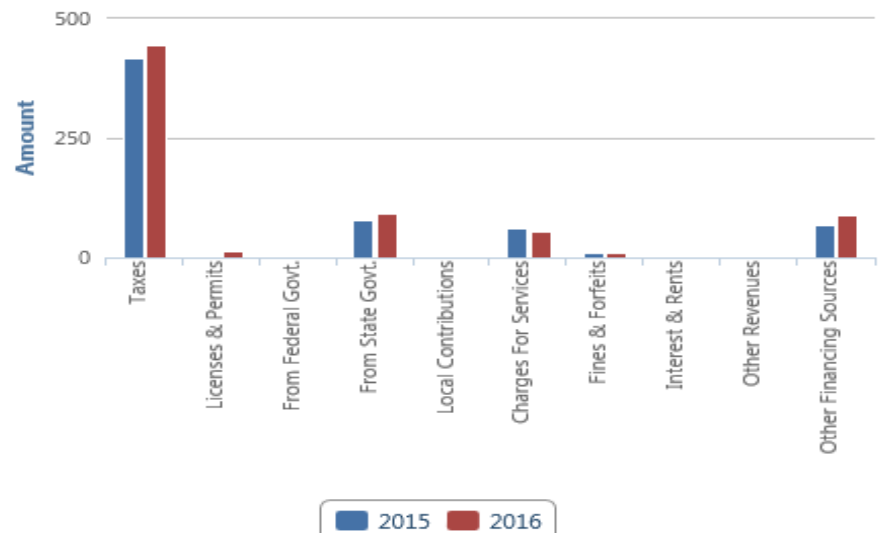
General Fund



Taxes
 From Federal Govt.
 Charges For Services
 Interest & Rents
 Other Financing Sources
 Licenses & Permits
 From State Govt.
 Fines & Forfeits
 Other Revenues

Revenues Per Capita (vs. Prior Year)

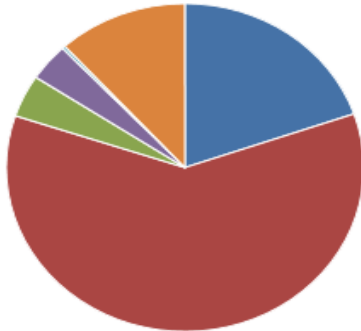
General Fund



City Financials / General Fund

Where We Spend Our Money

General Fund



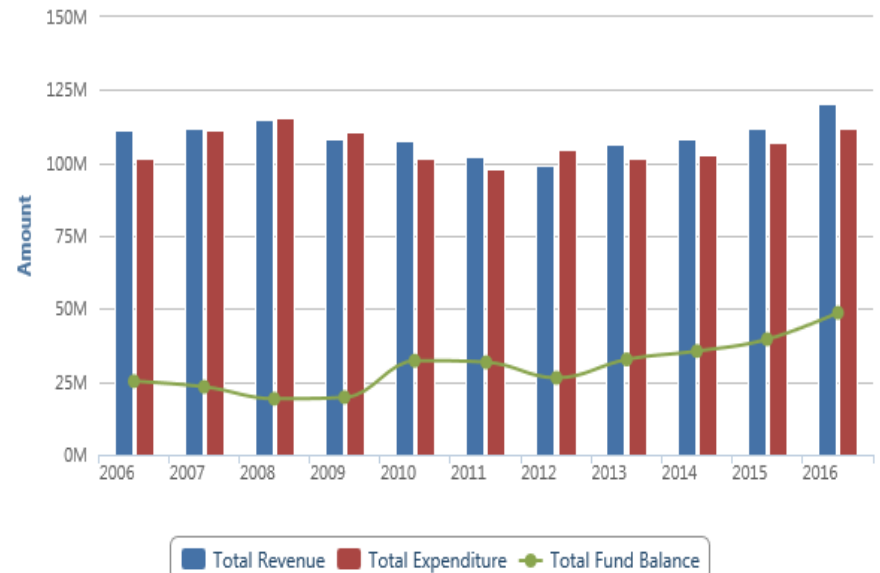
General Fund	2015	2016	% Change
Revenue	\$111,795,441	\$120,538,003	7.82%
Expenditure	\$107,132,933	\$111,756,313	4.32%
Surplus (shortfall)	\$4,662,508	\$8,781,690	88.35%
Fund Balance By Component			
Non-Spendable	\$6,370,712	\$5,021,173	-21.18%
Committed	\$8,948,835	\$12,948,835	44.70%
Assigned	\$9,183,103	\$8,304,141	-9.57%
Unassigned	\$15,101,671	\$22,388,202	48.25%
Total Fund Balance	\$39,604,321	\$48,662,351	22.87%

Note: Only the Unassigned Fund Balance is available to meet new commitments and objectives.

Expenditures	2015	2016	% Change
General Government	\$25,164,992	\$26,982,502	7.22%
Police & Fire	\$72,025,945	\$74,479,832	3.41%
Other Public Works	\$5,103,241	\$5,037,039	-1.30%
Community & Economic Dev.	\$4,510,014	\$4,933,129	9.38%
Debt Service	\$328,741	\$323,811	-1.50%
Total Expenditures	\$107,132,933	\$111,756,313	4.32%
Other Financing Uses	\$13,829,419	\$16,820,766	21.63%

How Have We Managed Our Resources

General Fund

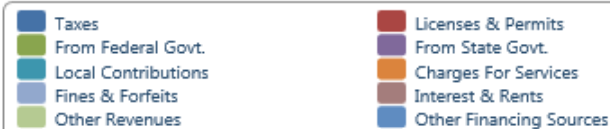
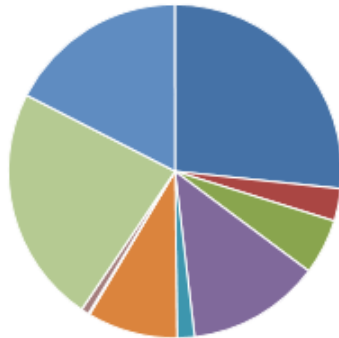


City Financials / Other Governmental Fund Revenues

Where Our Money Comes From



Other Gov. Funds



Other Governmental Fund types (excluding general fund) include many of the City's basic services, including library, refuse, major & local streets, grants, capital funds and others.

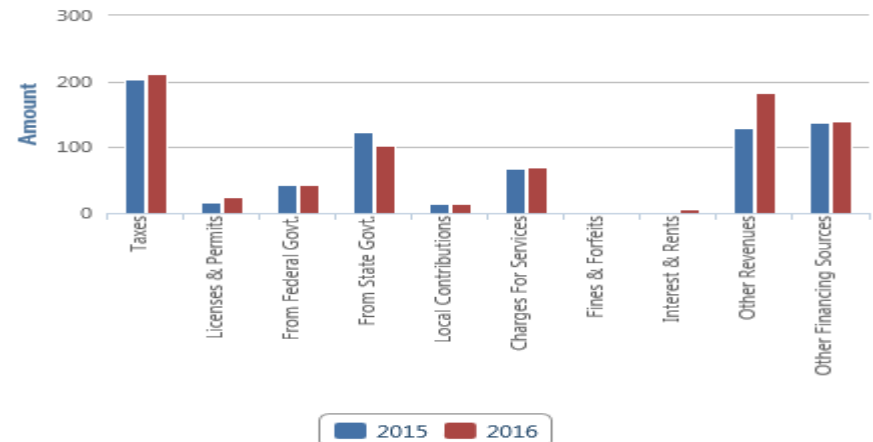
In 2016, the City of Grand Rapids collected \$127.4 million from taxes, charges for services, intergovernmental revenues, and other revenue sources in other governmental funds. This change of \$11.8 million over FY2015 is attributable to an increase in income taxes, an increase in licenses and permits and other revenues. The graphs reflect the distribution of revenues in other governmental funds. As you can see, taxes represent the greatest share of other governmental fund revenues.

Revenues	2015	2016	% Change
Taxes	\$38,925,892	\$41,179,207	5.79%
Licenses & Permits	\$3,200,673	\$4,859,269	51.82%
From Federal Govt.	\$8,327,807	\$8,296,960	-0.37%
From State Govt.	\$23,641,836	\$19,958,557	-15.58%
Local Contributions	\$2,727,676	\$2,595,390	-4.85%
Charges For Services	\$12,963,971	\$13,546,753	4.50%
Fines And Forfeitures	\$217,890	\$199,320	-8.52%
Interest & Rent	\$516,599	\$1,178,691	128.16%
Other Revenues	\$25,061,435	\$35,601,310	42.06%
Total Revenues	\$115,583,779	\$127,415,457	10.24%
Other Financing Sources	\$26,401,190	\$26,967,518	2.15%

Revenues Per Capita (vs. Prior Year)



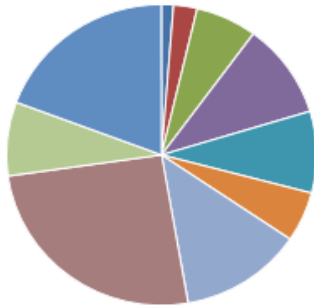
Other Gov. Funds



City Financials / Other Governmental Fund Expenditures

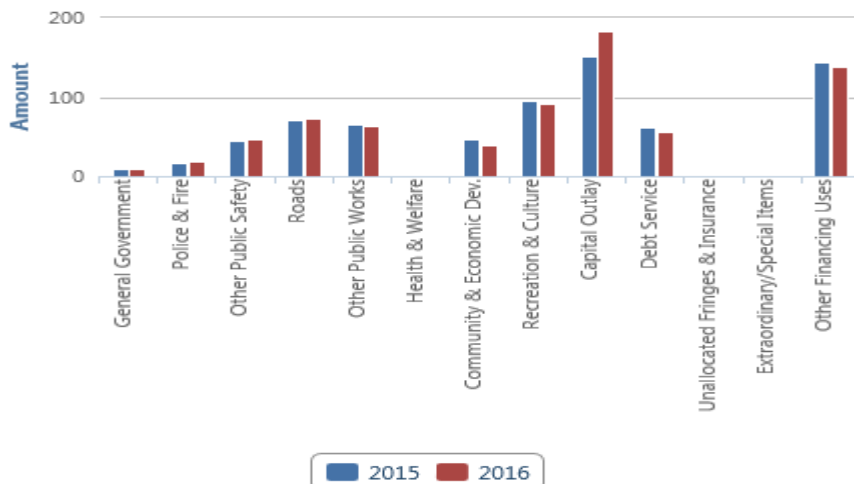
Where We Spend Our Money

Other Gov. Funds



Spending Per Capita (vs. Prior Year)

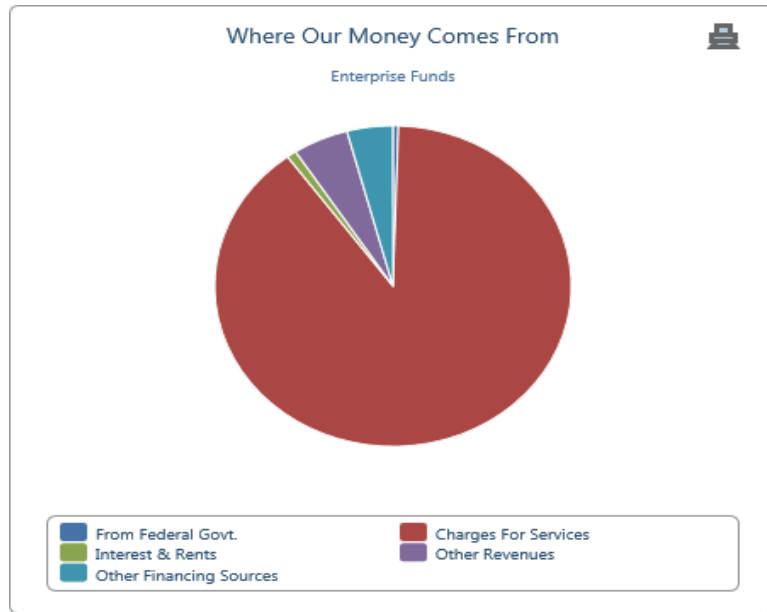
Other Gov. Funds



In 2016, the City of Grand Rapids spent \$112.2 million in other governmental fund type expenditures. This is an increase of \$3.8 million from FY2015 mainly attributable to increases in capital outlay along with a decrease in community and economic development, general government and debt service.

Expenditures	2015	2016	% Change
General Government	\$1,853,064	\$1,713,667	-7.52%
Police & Fire	\$3,413,231	\$3,448,628	1.04%
Other Public Safety	\$8,477,554	\$8,896,458	4.94%
Roads	\$13,697,227	\$14,208,291	3.733%
Other Public Works	\$12,490,894	\$12,186,749	-2.43%
Community & Economic Dev	\$9,151,895	\$7,476,687	-18.30%
Recreation & Culture	\$18,390,409	\$17,791,041	-3.26%
Capital Outlay	\$29,024,143	\$35,497,277	22.30%
Debt Service	\$11,879,818	\$11,021,770	-7.22%
Total Expenditures	\$108,378,235	\$112,240,568	3.56%
Other Financing Uses	\$27,533,937	\$26,853,503	-2.47%

City Financials / Enterprise Fund Revenues



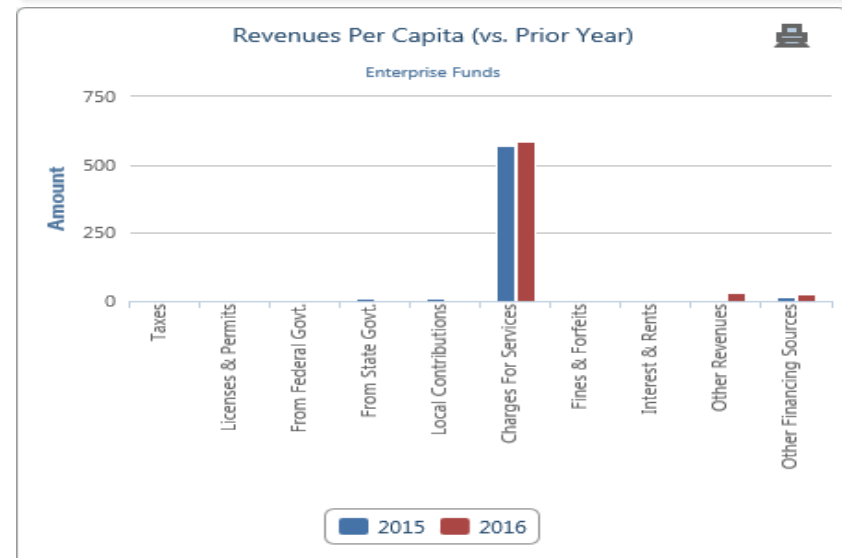
Enterprise Fund types are permitted by generally accepted accounting principles for any activity whose principle source of funding is from external revenue sources (i.e. user charges) and meet any of the following criteria:

- 1) Debt is backed solely by fees and charges
- 2) There is a legal requirement to recover full costs through fees or charges
- 3) There is a policy decision to recover full costs through fees or charges

The only way Enterprise Funds can generate cash is through user fees or bond issuances. Due to this fact, the focus of Enterprise funds is on the flow of unrestricted cash.

Enterprise Funds in the City include water, sewage disposal, auto parking, cemetery operations, golf course and the Belknap Ice Arena. User Charges exceed 90% of total Enterprise Fund revenues. The graphs reflect total revenues for all Enterprise funds in the City.

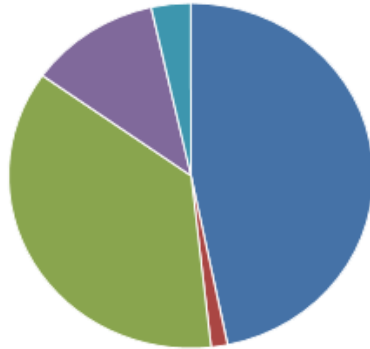
Revenues	2015	2016	% Change
From Federal Govt.	\$1,145,957	\$623,218	-45.62%
From State Govt.	\$1,685,489	\$0	-100.00%
Local Contributions	\$2,172,796	\$0	-100.00%
Charges for Services	\$109,809,251	\$113,389,258	3.26%
Interest & Rents	\$697,150	\$1,107,815	58.91%
Other Revenues	\$380,660	\$6,376,381	1,575.09%
Total Revenues	\$115,891,303	\$121,496,672	4.84%
Other Financing Sources	\$2,818,359	\$5,267,471	86.90%



City Financials / Enterprise Fund Expenses

Where We Spend Our Money

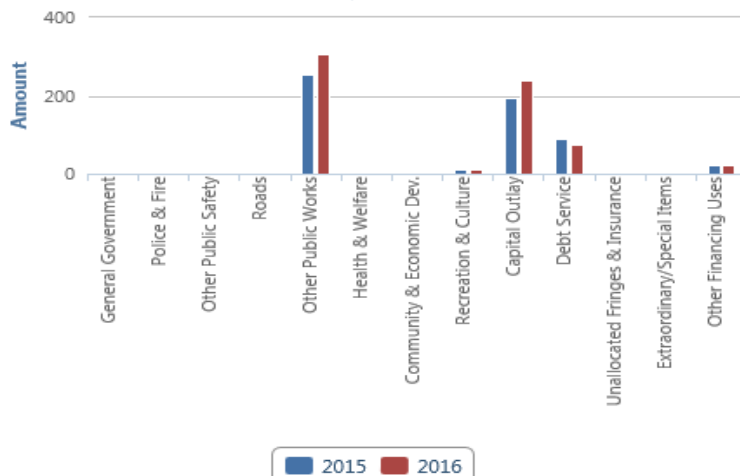
Enterprise Funds



Other Public Works
Capital Outlay
Other Financing Uses
Recreation & Culture
Debt Service

Spending Per Capita (vs. Prior Year)

Enterprise Funds



Expenses in the Enterprise Funds totaled \$122.3 million which was a 15.1% increase from the prior year's expenditures mainly due to the increase in public works expenses and capital outlay for the major enterprise funds.

The cash positions of the water, sewage disposal and auto parking funds are strong. The City continues to look at the operations of the cemetery fund and golf course fund having made a capital investment to revitalize the golf course and developed a capital investment plan using sustainable asset management for the cemeteries.

	2015	2016	% Change
Public Works	\$49,161,112	\$59,313,982	20.65%
Recreation & Culture	\$2,354,717	\$1,861,330	-20.95%
Capital Outlay	\$37,238,297	\$46,413,816	24.64%
Debt Service	\$17,527,791	\$14,742,609	-15.89%
Total Expenses	\$106,281,917	\$122,331,737	15.10%
Other Financing Uses	\$4,070,445	\$4,447,535	9.26%

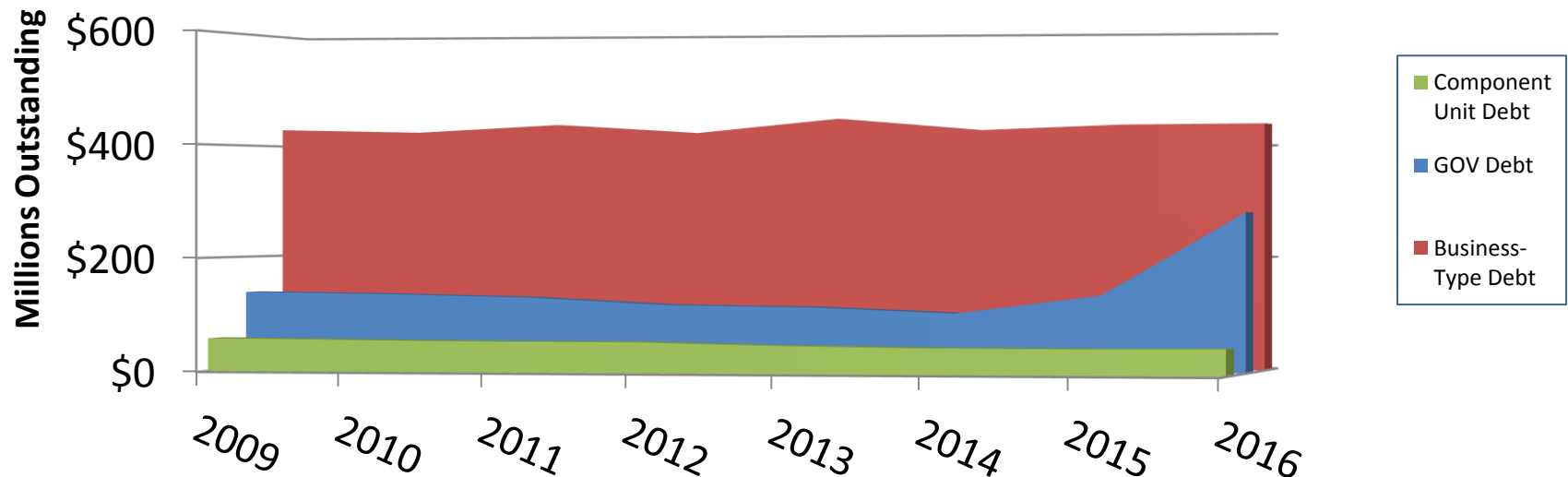
City Financials / Debt

One of the unique funding streams available to local governments is the ability to issue tax-exempt bonds for the financing of capital projects and infrastructure improvements. Over time, the City has issued debt for water and sewer capital projects, development projects, transportation projects as well as for various other needs, and this is shown as Business Type Debt below. It is important to note that intergenerational equity can be improved when high cost capital assets with long service lives are financed with debt instead of cash.

It is important to analyze and monitor the long-term debt of the City to ensure revenue streams are sufficient to meet principal and interest payments on the outstanding issues. Also, the City continually looks to refinance bonds whenever possible to achieve costs savings to the residents and rate payers in the City. The graphs reflect total outstanding debt by business unit.

The year over year increase in governmental debt is mainly due to the new issues to allow repair work on City streets two construction seasons earlier than the work that could be funded by receipts from the fifteen year income tax rate increase dedicated to maintenance, rehabilitation and reconstruction.

Note: The City is also committed to pay a portion of the financing of the Grand Valley Regional Biosolids Authority, which is operated by the cities of Grand Rapids and Wyoming. This debt is not included in the graph below. For more details, please see CAFR Note 10.

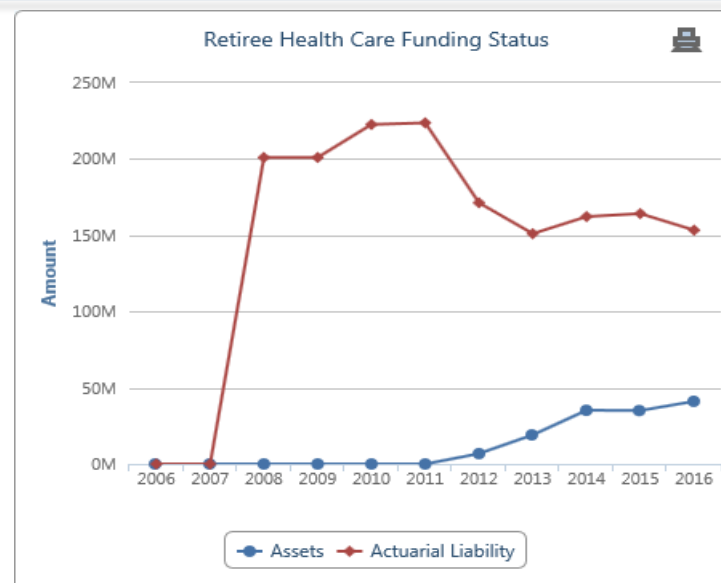
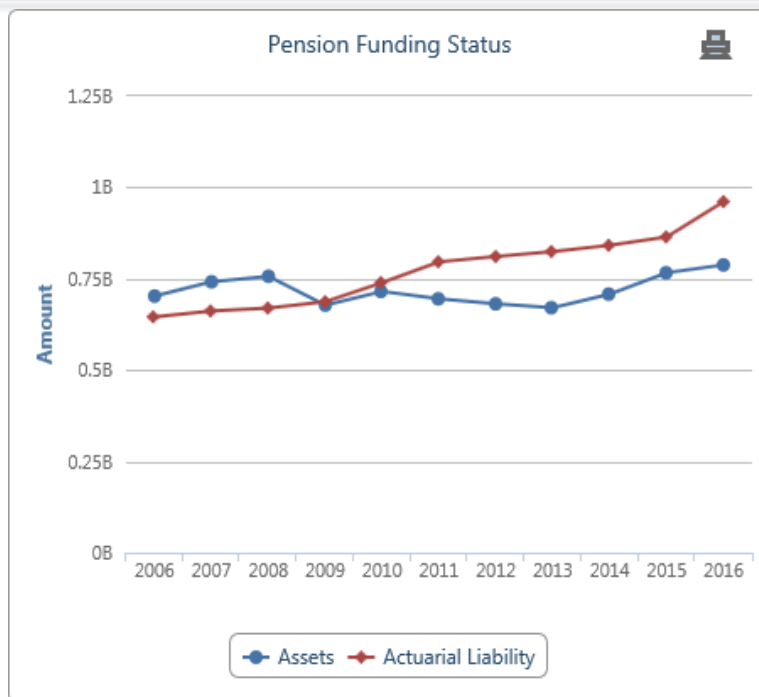


City Financials / Long-Term Obligations

Over the past 10 years, there has been a lot of focus on the long-term “legacy” costs of defined benefit public pensions and Other Post Employment Benefit (OPEB) plans like the City’s retiree health care plans and the resulting unfunded liabilities which are facing many public entities. The City has taken many steps to curb the exposure in the future. The City has made modifications to both its pension and retiree health care plans and consistently funds the actuarially determined amounts necessary to systematically pay off the liabilities created by previous benefit plans.

Prior to 2007, municipalities were not required to disclose OPEB liabilities in their financial statements. New Governmental Accounting Standards made reporting mandatory. While the City has a long-way to go towards fully funding these legacy costs, much progress has been made. The General Retirement System was closed to new participants. Pension multipliers were reduced and employee contributions have been increased. Defined benefit retiree health plans are closed and employees hired since 2001 participate in defined contribution retiree health savings accounts. Without these changes the actuarial liability would have been much larger. The graphs below represent our current funding position.

The recent uptick in pension liability is for two primary reasons: actual investment income was below expectations and as a result of the most recent experience study, actuarial assumptions about retirement patterns, mortality and investment returns caused the calculation to increase.



Note: Retiree Health Care funding status not measured prior to 2007

Rosalynn Bliss
Mayor

Jon O'Connor
First Ward Commissioner

Dave Shaffer
First Ward Commissioner

Ruth Kelly
Second Ward Commissioner

Joseph D Jones
Second Ward Commissioner

David Allen
Third Ward Commissioner

Senita Lenear
Third Ward Commissioner

Greg Sundstrom
City Manager

John Globensky
City Treasurer

Darlene O'Neal
City Clerk

Anita Hitchcock
City Attorney

For More Information

Visit the City on the web:

www.grcity.us

The City's website is your source for information about City policies, services, commission meetings and events 24 hours a day, seven days a week.

Residents can take advantage of our online services:

- Download agendas and meeting minutes
- View our progress at MyGRCity Dashboard
- Find parks and download reservation forms
- Download City financial reports
- Search the municipal code
- Report a problem or request a service
- Pay parking tickets and utility bills

Form of Government

The City of Grand Rapids operates a City Commission – City Manager form of government. Working as a consensus, the Mayor and City Commissioners are responsible for establishing city policy and providing direction to the City Manager. The City Commission appoints the City officials above.



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